

SUPPORTING STATEMENT
Internal Revenue Service
Form 8971 and Schedule A,
Information Regarding Beneficiaries Acquiring Property from a Decedent
OMB # 1545-2264

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

On July 31, 2015, the President of the United States signed H.R. 3236, *Surface Transportation and Veterans Health Care Choice Improvement Act of 2015*, P.L. 114-41, (H.R. 3236) into law. Section 2004 of H.R. 3236 enacted § 6035.

Internal Revenue Code (IRC), Section 6035(a)(1) requires executors to file and furnish statements with the Internal Revenue Service (IRS) and to beneficiaries for property includible in the gross estate when the estate is required to file an estate tax return. IRC Section 6035(a)(1) and (2) requires the executor (or other person) to report on these statements the value of property as reported on the estate tax return and other information. IRC Section 6018(b) states if the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein.

Section 6035(a)(3)(A) provides that the statements are due 30 days after the earlier of the due date of the estate tax return or the date the return is filed. Section 6035(a)(3)(B) provides that the executor must supplement the statements in the event there are adjustments to the information required to be provided thereon. Supplemental statements are due 30 days after an adjustment occurs.

Form 8971 and Schedule A, Information Regarding Beneficiaries Acquiring Property from a Decedent, will be used by executors to provide IRS with the beneficiary's information and information about the property acquired. A copy of Schedule A is to be provided to the beneficiary listed.

2. USE OF DATA

The information collected will be used to ensure the taxpayer's compliance with § 1014(f) by providing the IRS and the beneficiary with the beneficiary's initial basis in property received from an estate.

IRS will use the information to confirm consistency in basis of property acquired from a decedent when it is sold or deemed sold.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS has no plans to offer electronic filing due to the low number of filers.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There is no impact on small businesses or small entities by this collection due to the inapplicability of the authorizing statute under section 6035 to this type of entity. Form 8971 is filed by an executor of an estate or other person required to file Form 706 or 706-NA.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

If the information collection is not conducted, the recipient's basis in property acquired from an estate would not be consistent with the value of the property as determined for federal estate tax purpose. Failure to provide this information to the IRS and the beneficiary by the executor of estate would result in monetary penalties imposed on the executor and inaccurate information reported on tax returns.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the Federal Register notice dated March 15, 2024 (89 FR 19014), IRS received no comments regarding Form 8971.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payments or gifts are being provided to respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Estate/Inheritance and Gift Non-filer and Under-reporter” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 42.021-Compliance Programs and Project Files. The Internal Revenue Service PIA can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The reporting requirements of § 6035 apply to executors and other persons required to file a Form 706 by § 6018(a) or (b).

Burden Estimates:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC 2004 § 6035	Form 8971 and Schedule A	10,000	1	10,000	20	200,000
Totals				10,000		200,000

The following regulation impose no additional burden. Please continue to assign OMB number 1545-2264 to this regulation:

- 1.6035-1(a)
- 1.6035-1(d)

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The Federal Government cost estimate is based on a model that considers the following three factors for each information product: aggregate labor costs for development, including annualized start -up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

Documents	<u>Aggregate Cost per Product (factor applied)</u>		Printing and Distribution		<u>Government Cost Estimate per Product</u>
Form 8971 and Sch A	\$22,499	+	-0-	=	\$22,499
Instructions 8971 and Sch-A	\$ 7,232	+	-0-	=	\$ 7,232
Grand Total	\$29,731	+	-0-	=	\$29,731
Table costs are based on 2023 actuals obtained from IRS Chief Financial Office and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. IRS is making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis or publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form sunsets as of the expiration date. Taxpayers are not likely to be aware that

the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement for this collection.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.